RESOURCE INDEMNITY TAX

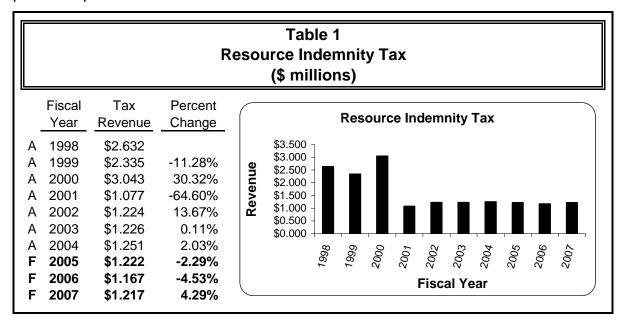
Revenue Description

Chapter 38 of Title 15, MCA, created a resource indemnity and groundwater assessment tax. The tax (also called simply the resource indemnity tax or RIT) funds a resource indemnity trust and provides revenues for groundwater assessment and a variety of development programs to benefit the state and its citizens. The purpose of the trust and other programs is to indemnify the citizens of Montana for depletion of the state's resource base and for environmental damage from mineral development.

When the trust fund balance was less than \$100 million, 50% of the resource indemnity and groundwater assessment tax was deposited in the trust fund. The balance reached \$100 million in December 2002. Deposits ceased at that point, and the balance has remained at \$100 million.

Historical and Projected Revenue

Table 1 shows actual revenues for FY 1998 through FY 2004 and projected revenues for FY 2005 through FY 2007. The revenue varies due to fluctuations in price and production for the ores.



Forecast Methodology and Projection Calculation

The resource indemnity and groundwater assessment tax is levied on the value of mineral production each calendar year. Payment for the previous calendar year is due by the end of March. About 90% of tax receipts are from coal, oil, and natural gas production. Producers of talc, limestone, sand and gravel, vermiculite, gems, and other non-metalliferous minerals pay most of the remainder. Metal mines pay the resource indemnity tax only if they are too small to pay the metalliferous mines tax.

Tax receipts from coal, oil, and natural gas production were estimated by applying the appropriate tax rates to the production estimates used for the coal severance tax and the oil and natural gas tax revenue forecasts. Other mineral production revenue is the average of FY 2001 through FY 2004 revenue. Table 2 shows resource indemnity tax receipts for FY 2001 through FY 2004 and forecasts of receipts for FY 2005 through FY 2007.

Table 2 Resource Indemnity Tax (\$ millions)							
Fiscal Year	Coal	Other Minerals	Total				
A 2001	\$0.952	\$0.125	\$1.077				
A 2002	\$0.999	\$0.225	\$1.224				
A 2003	\$0.963	\$0.262	\$1.226				
A 2004	\$1.088	\$0.162	\$1.251				
F 2005	\$1.028	\$0.194	\$1.222				
F 2006	\$0.973	\$0.194	\$1.167				
F 2007	\$1.023	\$0.194	\$1.217				

Allocation of Resource Indemnity Tax Revenue

Table 3 shows the allocation of the resource indemnity tax revenue.

Table 3 Resource Indemnity Tax Allocation (\$ millions)									
Fiscal Year	Resource Indemnity Trust	CERCLA match debt service fund	Groundwater Assessment Account	Reclamation and Development Grants Account	Natural Resource Workers' Tuition Scholarship Account	Orphan Share Account	Total		
A 2001 A 2002 A 2003 A 2004 F 2005 F 2006	\$0.538 \$0.612 \$0.000 \$0.000 \$0.000	\$0.000 \$0.000 \$0.000 \$0.000 \$0.000 \$0.160	\$0.300 \$0.300 \$0.366 \$0.366 \$0.366	\$0.119 \$0.156 \$0.430 \$0.442 \$0.428 \$0.320	\$0.000 \$0.000 \$0.150 \$0.150 \$0.150 \$0.150	\$0.119 \$0.156 \$0.280 \$0.442 \$0.278 \$0.170	\$1.077 \$1.224 \$1.226 \$1.251 \$1.222 \$1.167		
F 2007	\$0.000	\$0.320	\$0.366	\$0.265	N/A	\$0.265	\$1.107		